

1 **VIRGINIA TOBACCO INDEMNIFICATION**
2 **AND COMMUNITY REVITALIZATION COMMISSION**

3 701 East Franklin Street, Suite 501
4 Richmond, Virginia 23219
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9 **Agribusiness Committee Meeting**

10 Wednesday, December 17, 2014

11 1:00 P.M.

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13 Hotel Roanoke & Conference Center
14 Roanoke, Virginia
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1 **APPEARANCES:**

2 Mr. Robert Spiers, Chairman

3 Ms. Sandy Adams, VDACS Commissioner

4 The Honorable James Edmunds

5 Mr. Frank Harris

6 Mr. Donald W. Merricks

7 Mr. Kenneth O. Reynolds

8 Mr. Cecil Shell

9 Mr. Richard Sutherland

10 The Honorable Thomas C. Wright, Jr.

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12 COMMISSION STAFF:

13 Mr. Timothy S. Pfohl – Interim Executive Director & Grants
14 Program Administration Director

15 Mr. Ned Stephenson – Deputy Executive Director

16 Ms. Sarah K. Capps – Grants Program Administrator,
17 Southside Virginia

18 Ms. Sara G. Williams – Grants Program Administrator,
19 Southwest Virginia

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1 MR. SPIERS: I'm going to call the
2 Agribusiness Committee to order and I'll ask Tim at this time
3 to call roll.

4 MR. PFOHL: Thank you, Mr. Chairman.
5 Mr. Barnard, he's not able to be with us. Delegate Edmunds?

6 DELEGATE EDMUNDS: Here.

7 MR. PFOHL: Mr. Harris?

8 MR. HARRIS: Here.

9 MR. PFOHL: VDACS Commissioner
10 Adams is here representing Mr. Haymore.

11 MS. ADAMS: Here.

12 MR. PFOHL: Mr. Merricks?

13 MR. MERRICKS: Here.

14 MR. PFOHL: Mr. Montgomery cannot be
15 with us today. Mr. Reynolds?

16 MR. REYNOLDS: Here.

17 MR. PFOHL: Mr. Shell?

18 MR. SHELL: Here.

19 MR. PFOHL: Mr. Spiers?

20 MR. SPIERS: Here.

21 MR. PFOHL: Senator Stanley?

22 SENATOR STANLEY: (No response.)

23 MR. PFOHL: Mr. Sutherland?

24 MR. SUTHERLAND: Here.

25 MR. PFOHL: Delegate Wright?

1 DELEGATE WRIGHT: Here.

2 MR. PFOHL: You have a quorum, Mr.
3 Chairman.

4 MR. SPIERS: Thank you, Tim. Since we
5 do have so many new members, I'll go around the table and
6 ask the members to introduce themselves at least by locality.
7 I'll start out and say I'm Robert Spiers from Dinwiddie County.

8 MR. HARRIS: Frank Harris from Amelia
9 County.

10 DELEGATE EDMUNDS: James
11 Edmunds from Halifax County.

12 MR. SHELL: Cecil Shell from Lunenburg
13 County.

14 DELEGATE WRIGHT: I'm Tommy
15 Wright, Lunenburg County.

16 MR. SUTHERLAND: Richard Sutherland
17 from Grayson County.

18 MR. MERRICKS: Don Merricks from
19 Pittsylvania County.

20 MR. REYNOLDS: I'm Kenneth Reynolds
21 from Washington County.

22 MS. ADAMS: I'm Sandy Adams sitting in
23 for Secretary Haymore from Richmond.

24 MR. SPIERS: Thank you very much and
25 appreciate you all making an effort to come today. I know we

1 have a number of new members so without further ado, we'll
2 go ahead and start. The agenda calls for the approval of the
3 minutes from December 9th, 2013 and posted on the website.
4 I have a motion and a second to approve the minutes. Any
5 discussion or corrections of the minutes? If not, all in favor
6 say aye. (Ayes.) Any opposed, nay? (No response.) The
7 minutes are approved.

8 At this time, I'll call on Tim to go through
9 the projects and give us a description of projects and
10 recommendations from the staff. We'll go through questions
11 after the presentation, if any.

12 MR. PFOHL: Thank you, Mr. Chairman.
13 Before we get started, do we need to break up the Lunenburg
14 voting block over here? I just want to spend a couple of
15 minutes for the benefit primarily of the new members on the
16 Committee as well as everyone here today just to talk a little
17 bit about the history and objectives of the Agribusiness
18 Committee. The Committee was created in 2003, it was spun
19 off from another program. Mr. Spiers is the second Chair
20 following Delegate Joe Johnson, who chaired this Committee
21 for about a decade and retired from the Virginia House of
22 Delegates.

23 The primary objective is to take proposals
24 that will provide net new farm income across the Tobacco
25 Region and recognizing farms are a significant portion of the

1 economic sector of the region and localities. More income
2 coming to farmers gets cycled through the regional economy
3 and we'll hear references to outcomes and services to member
4 farms that are supposed to be certified projects and net new
5 income generated by projects.

6 We typically take Agribusiness
7 applications in the fall and we accept these proposals in
8 October. Today we have ten requests that were submitted.
9 The staff has a scoring system where we look at the proposal
10 and look at how many localities are impacted as far as net
11 new farm income as well as just good grant-making principles,
12 matching funds committed, is there a good technical team in
13 place to implement the project and so forth.

14 So our staff recommendations suggest or
15 support the five projects and those are the five highest scoring
16 proposals we received this year. Then staff will publish this
17 report, send it out to the Committee members and then post it
18 on our website so hopefully everybody is able to see the staff
19 recommendations on the website. It's often reminded staff
20 recommends but Commissioners vote and so that ball is in
21 your court to look at the proposals and make the decisions
22 going forward and about which ones you would like to
23 support.

24 So Mr. Chairman, I can walk very quickly
25 through these ten proposals and give you a snapshot of this.

1 MR. SPIERS: I appreciate you giving us
2 an overview on these.

3 MR. PFOHL: Fine, we'll start at the top.
4 Blue Ridge Center for Chinese Medicine, Inc. requesting
5 \$152,660. Funds are requested to expand the operations and
6 supply chain of the Blue Ridge Center for Chinese Medicine,
7 which is a 501C3 non-profit based in Floyd County. I should
8 have mentioned this before, we take applications from
9 governmental entities and designated non-profits and Blue
10 Ridge Center meets that requirement. This applicant was in
11 front of the Agribusiness Committee last year and their
12 request was passed over. They returned to us this year with
13 the results of the first cohort of participants in this project.
14 The staff notes that while the majority of the 33 participants
15 are located in Floyd County, the subsequent cohorts will
16 include farmers in Franklin, Carroll, Patrick, Grayson and
17 Bedford Counties. Commission funds will be used for staffing
18 and equipment needs to assist cohort members in establishing
19 new herb plots and process the herbs to prepare them for sale
20 to wholesalers. Matching funds are committed both in-kind
21 as well as grant funds from other sources. Since this
22 organization submitted a previous proposal, it has engaged
23 several committed producers in a regional area and provided
24 stronger evidence of a viable supply chain that will allow
25 locally grown herbs to be sold to national wholesalers. While

1 this is clearly a niche product that is grown in very small
2 plots, it appears to have potential for measurably
3 supplementing farm income for interested producers. And
4 staff is recommending an award of \$152,660. There are
5 representatives of the Centers here today if we get to the point
6 of Q&A.

7 The second proposal is from the
8 Buckingham Cattlemen's Association, which is the BARN
9 project. They're requesting \$265,549. This organization has
10 been before this Committee before. The Commission provided
11 a grant of \$550,000 two years ago to construct a 16,000
12 square foot barn facility in Buckingham County to serve
13 association members for eleven Tobacco Region accounts.
14 The request before you today would be used for finishing the
15 interior space as well as the septic, sewer and water
16 management and equipment for cattle handling and bleachers
17 and so forth. The facility is somewhat parallel to similar
18 funded facilities that have been built in Pittsylvania, Halifax
19 and Dickenson and it should be noted that the benefits cited
20 in the project description will accrue annual over the forty
21 year useful life of the building. Total costs of the facility are at
22 over \$1 million and there was a previous Commission grant.
23 Additional requests in the works include a VDACS-AFID
24 program and USDA. We got word yesterday that we're the
25 recipients of VDACS-AFID grant funds. The Buckingham

1 Cattlemen's Association has 154 members and that was a
2 member list that was provided to us. And I will note that 147
3 of the 154 total names had addresses in the Tobacco Region.
4 If this request is approved, the facility would be open for
5 business mid-summer. The steel frame has been erected and
6 site work is underway and we could have an operating facility
7 by mid-2015. The staff is therefore recommending an award
8 of \$265,549.

9 The next request is from the Town of
10 Farmville for Regional Processing for Aquaculture Products,
11 requesting \$398,500. This is essentially the same project that
12 was approved for \$138,500 in last year's Agribusiness grant
13 cycle for a site in Charlotte County. Charlotte County has
14 effectively withdrawn from the project and the VAN officials,
15 Virginia Aquafarmers Network, have worked with the Town of
16 Farmville to identify this alternative site for the project. We'll
17 talk later in other business about the Charlotte grant that was
18 approved this last year. Going to this specific request, it seeks
19 the same equipment, \$314,000, supplies, contractual costs
20 and travel to purchase and install equipment in the proposed
21 facility in an industrial area of Farmville to house the
22 aquaculture processing center. The Virginia Aquaculture
23 Network is a for-profit member/owner business and the
24 affiliated private Heartland Food Center, Incorporated, whose
25 principals are also members of VAN, to use and operate the

1 center although owning both the building and equipment by
2 the Town of Farmville. When the proposal was submitted, it
3 used information from the Charlotte proposal last year, a
4 10,000 square foot building, which 60% of it would have been
5 unfinished for expansion. In the last week or so, the Town of
6 Farmville has provided us a revised quote for a 6600 square
7 foot building. Staff worked with the applicants to encourage
8 them to pare that down to the minimum needed to the
9 immediate aquaculture processing needs. The building cost is
10 \$632,000. The Southside Economic Development Committee
11 this morning approved an allocation of \$194,000 toward the
12 cost of construction. This request is for equipment and
13 supplies. The applicants have been in contact with the
14 VDACS-AFID program and the staff has directed them to
15 USDA's rural business enterprise grant program as a potential
16 source of some matching funds.

17 As I said earlier, the ownership of this
18 building and equipment will be initially titled to the Town of
19 Farmville, which is proposing to lease the space at no cost to
20 VAN/HFC with an option to purchase the building and
21 equipment in five years. VAN is the beneficiary of two
22 previous Tobacco Commission grants totaling \$285,000 to
23 establish its operations, expand its producer base and market
24 products. Fifteen of VAN's twenty members are farms within
25 the Tobacco Region. The barrier to expansion is the lack of

1 flash-freezing capacity requested here and easy access to a
2 USDA approved processing center that allows sales to
3 customers outside Virginia. Right now, the VAN trucks take
4 this product to Hampton for processing. The USDA approval
5 will allow the processing, they'll file it and package it and
6 market it outside Virginia as well as within Virginia.

7 Staff is recommending that request
8 #2973 for this project be approved for fifty percent of
9 equipment, supplies, and contractual costs not to exceed
10 \$200,000 contingent on matching funds for equipment and
11 funds needed to construct the facility be committed by
12 September 1st, 2015.

13 Next up is Lee County Livestock
14 Association, request for \$200,000 to initiate a livestock genetic
15 improvement initiative. Funds are requested for a cost-share
16 program to provide reimbursement of expenses related to
17 genetic improvement of livestock herds in Lee County. The
18 cost-share that is proposed would be fifty percent
19 reimbursement to producers up to \$5,000 for heifers that
20 meet Virginia Premium Assured Breed Heifers standards,
21 bulls that meet VQA requirements, and artificial insemination
22 equipment. The proposal anticipates serving forty Lee County
23 farms. Staff notes that several previous regional cost share
24 programs have been available and approved by this
25 Commission in the past decade and have been available to

1 farmers in Lee County to assist with genetic and facility
2 improvements. Currently, the Beef Builder Initiative project
3 provided to assist with genetic and facility improvements.
4 Your Committee recommended that last year and it is
5 available for this purpose. The applications inclusion of small
6 remnants and mixed operations would be a new area of focus
7 but staff is suggesting that should be planned as part of a
8 much larger regional effort through the next proposal that we
9 will be discussing. Consequently and primarily because
10 concerns of funding a project for one individual county when
11 in the past the Commission has focused its funds on much
12 larger regional projects, including the one that is currently
13 available for Lee County, staff is recommending no award.

14 The next proposal is from the Lenowisco
15 Planning District Commission for an Agricultural Development
16 Strategic Plan requesting \$10,000. This builds on regional
17 planning efforts by the PDC to develop a strategy to promote
18 agricultural development in the district. Two community
19 meetings have been held in the past year and have shown
20 good participation and producer interest. This request is well-
21 matched with a cash commitment totaling \$10,000 from the
22 counties of Lee, Scott, Wise, and the city of Norton. The local
23 match along with the requested Tobacco Commission funds
24 will serve as the required match for a \$20,000 VDACS-AFID
25 planning grant application. The specific scope of the proposed

1 strategic plan is not discussed and the staff would note that a
2 successful effort will require support from AFID and other
3 funding sources, a well-defined scope of work, development of
4 the plan by a qualified agribusiness consulting firm and
5 strong involvement from producer stakeholders in the entire
6 process. Staff recommends an award of \$10,000 contingent
7 upon approval of the intended AFID application. Not that we
8 want to paint your agency into a corner, Commissioner Adams
9 but absent AFID's support, we feel that they can accomplish
10 the sort of work as well as having expertise from VDACS.

11 The next proposal is a request for
12 \$255,000 to establish a Southwest Virginia Mobile Livestock
13 Processing operation. The applicant is a 501C4 nonprofit
14 based in Wytheville requesting Commission funds to assist
15 with equipment \$135,000, staffing \$105,000, and operational
16 costs including fuel to establish a mobile meat processing
17 facility that's expected to serve twenty area producers. In
18 2010, your program funded a study to establish a mobile meat
19 processing operation for another Southwest Virginia entity,
20 the Grayson Landcare, Inc. This application does not mention
21 the results of that study or any kind of potential partnerships.
22 Instead, it focuses on a project that was implemented in
23 Vermont that was focused on poultry processing. In that
24 example, the facility was fully grant funded and after one year
25 of operations the original private operator chose not to renew

1 his contract, which raises concerns regarding the financial
2 sustainability of that example. The application lists matching
3 funds of \$40,000, however, no information was provided for
4 the source or use of those funds. The application lacks an
5 operating plan and detailed equipment cost estimates. It does
6 not address the need for USDA approval and on-site
7 regulation was not addressed and future sustainability beyond
8 the three year operating costs that are requested here are not
9 discussed. Although it does appear that there is some interest
10 in a mobile processing unit, this application does not
11 thoroughly address the operating feasibility of establishing one
12 in the region. Therefore, the staff recommends no award and
13 we suggest this is also a candidate for the AFID planning
14 grant assistance.

15 The next project is Region 2000 Research
16 Institute requesting \$632,900 for a Farm Based Bio-Ethanol
17 Micro Plant project. The applicant, Region 2000 Research
18 Institute operates Center for Advanced Engineering Research
19 in Bedford and it's the R&D center the Commission has
20 supported with construction and operating funds. In this
21 case, they are partnering with Virginia-based Trinity Energy
22 on this project, a for-profit business. Funds are requested for
23 two phases of a biofuels project. \$323,910 for Phase I
24 development of a feedstock processing system trial and Phase
25 II is a request for \$3348,000 for development, piloting and

1 operation of an ethanol distillation system. The design
2 concept is based on work from Virginia Tech and expanded on
3 by LSU.

4 To jump forward a little bit, the project
5 proposes to work with producers in a four county area
6 including Campbell, Pittsylvania, Bedford and Appomattox to
7 grow sweet sorghum, beets, sunflowers and yams as
8 feedstocks. The proposal also requests and estimates costs of
9 the \$300,000 unit for operating distillation. Unfortunately, it
10 does not provide evidence of farmer/producer interest. The
11 business plan is indicated to be in a very preliminary stage
12 and that would need to be refined to assess how ethanol
13 would be distributed to wholesalers or other end users, how
14 economically viable the operation of a distillation plant would
15 be given the fixed and operating costs described in the
16 application. The staff is recommending no award. We felt the
17 request was premature. We've had some recent
18 communication from CAER and we are suggesting a planning
19 grant approach to conduct some of the feasibility and
20 engineering analysis for this. Bob Bailey from CAER is here
21 and will speak to that and the staff recommendation.

22 The next project is the Southwest
23 Livestock Cooperative, Incorporated requesting \$467,140 for
24 the Southwest Livestock Center. This project was first
25 submitted in FY12 with the Virginia Cattlemen's Association

1 serving as the applicant. A Committee recommendation three
2 years ago for \$700,000 was tabled by the full Commission
3 while the Southwest Livestock Cooperative, which will own
4 and operate the facility pursued nonprofit status. In January
5 2014, having achieved IRS designation as a 521 farm
6 cooperative, Southwest Livestock Cooperative was approved
7 for \$232,860 of Agribusiness funds for the project. Those
8 funds were insufficient to begin construction and the project
9 start remains on hold pending this request. The current
10 application requests the remainder \$467,000 and change of
11 the original recommendation. Specifically for site prep,
12 grading, purchase of a 36,000 square foot metal building,
13 livestock pens and gravel for parking and so forth and road.
14 Matching funds of \$800,000 are indicated as in-hand for
15 planning costs. Those would reportedly be obtained from
16 stockholders, who will be issued preferred and common stock
17 subscriptions in the Southwest Livestock Cooperative. The
18 site is centrally located and accessible to a large portion of
19 Southwest Virginia at the intersection of Routes 58 and 19 in
20 Hansonville. This is similar to other Commission funded
21 facilities in Pittsylvania, Halifax, Dickenson and Buckingham.
22 Annual transportation savings to producers who would no
23 longer be required to take livestock to Abingdon markets is
24 estimated at \$133,000 annually. Staff would note that that
25 will accrue annually over the forty year useful life of the

1 building.

2 The staff recommendation of this is an
3 award of \$467,140 contingent on construction being
4 underway by September 1, 2015 and that the Commission be
5 notified immediately if at any time the Cooperative is
6 determined by the IRS to no longer be an Exempt 521
7 Cooperative.

8 Virginia Eco Industries, LLC is requesting
9 \$523,450 for the Brunswick County Greenhouse Phase II.
10 Funds are being requested to complete a Phase II feasibility
11 study for a large-scale greenhouse project in Brunswick
12 County. An industrial partner has purportedly agreed to
13 examine the possibility of using waste heat and waste carbon
14 emissions to heat a large scale greenhouse and provide carbon
15 dioxide for growing plants, vegetables, algae and agricultural
16 products. The application was submitted for a for-profit LLC
17 and absent the proposal being sponsored by a government
18 entity or a nonprofit organization or IRS designated nonprofit
19 is ineligible for funding consideration by the Commission. The
20 company Virginia Eco Industries has had several dialogs with
21 potential eligible applicants but to date none has agreed in
22 writing to serve as the applicant's sponsor. Consequently,
23 staff recommends no further action.

24 The next one is from Virginia State
25 University, a request for \$247,573 for Enhancing Income of

1 Meat Goat Producers in the Tobacco Region by Development of
2 an Omega-Chevron Industry. The Commission has awarded
3 one and a quarter million dollars of Agribusiness funds with
4 approximately one-third of that amount still remaining in
5 three grants awarded in the last three to four years. Funds
6 are requested to support further research costs for
7 incorporating flax and canola seed into diets of goats for a
8 higher value, high in omega-3 fatty acid goat meat product.
9 Preliminary federally funded research at VSU on introducing
10 flax and canola into goat diets has demonstrated the expected
11 result of increasing this omega content in meat. Funds are
12 specifically requested for personnel, \$74,000 for one
13 technician for three years, \$47,000 transfer payments to ten
14 to fifteen Tobacco Region goat producers, \$55,000 for
15 supplies, \$30,000 for meat processing, \$20,000 for producer
16 workshops and \$15,000 for lab analysis. All matching funds
17 presented in the application are in-kind and appear to be
18 based on the purchase price of existing equipment owned by
19 VSU.

20 This is the second time the Commission
21 has seen this request and at the time of the previous
22 application submission, staff had suggested that producers be
23 surveyed to gauge their interest in participating in the
24 program. This application provides only one support letter as
25 evidence of producer interest in the program and does not

1 attempt to quantify the meat goat opportunity within the
2 Tobacco Region. We have some net new income on some of
3 that of that, I won't go through all of that.

4 Ultimately, the proposal does not present
5 a clear pathway from the research activities to increasing sales
6 revenue and relies largely on creating national consumer
7 awareness and adoption of the market branding for omega
8 enhanced goat meat. Ultimately, VSU's findings could be used
9 across Virginia and beyond, which raises the question of why
10 Commission funds should be used to develop research that
11 potentially has broad application outside the Tobacco Region.
12 Staff is therefore recommending no award.

13 That's our list, Mr. Chairman.

14 MR. SPIERS: Thank you, Tim. At this
15 time, I want to make sure we don't miss, so let's follow the
16 procedure of going with our list and see if Commission
17 members have questions on any of these particular projects.
18 So let's start with #2956. Do any members have any
19 questions concerning that project, #2956? #2957 The BARN
20 project, any questions?

21 What about #2973, Farmville,
22 Aquaculture. I might ask you Tim on that one, there was an
23 issue about the proposed site. Is that an issue that can be
24 overcome?

25 MR. PFOHL: Yes, to give you some

1 background, when the Virginia Aquafarmers met with the
2 Town of Farmville, the Town of Farmville has offered a 5.3 acre
3 site that is a former lagoon property and been an industrial
4 area in the Town of Farmville. The condition of the Southside
5 award is that the town and VAN have to work with a registered
6 engineering firm to determine the suitability of that site for the
7 construction of a building. That's a condition of the Southside
8 recommendations.

9 MR. SPIERS: You have it in as a
10 contingency?

11 MR. PFOHL: Yes.

12 MR. SPIERS: #2959, the Livestock
13 Improvement for Lee County, you mentioned that project as
14 submitted would only cover one county?

15 MR. PFOHL: Yes, significant concerns if
16 we start funding these in one county individually and there's
17 34 counties in the Tobacco Region and we've had better
18 success handling these on a regional basis. Previous
19 programs have involved seven to nine to twelve to fourteen
20 counties.

21 MR. SPIERS: You might expand a little
22 bit on the history for Mr. Harris and others. There have been
23 projects along the same line improving herd genetics and
24 particularly funding for sires on a regional basis.

25 MR. PFOHL: Yes.

1 DELEGATE WRIGHT: Mr. Chairman, I'd
2 like to go back a second, #2957, the Buckingham Cattlemen's
3 Association, saying a twelve county area to be served, what
4 are those counties?

5 MR. PFOHL: If you'd bear with me just a
6 second. Jennifer, do you want to address that? The project
7 leader is here. She's the extension agent.

8 MS. LIGON: I'm Jennifer Ligon,
9 Buckingham County.

10 MR. PFOHL: Well, the region includes
11 Appomattox, Buckingham, Campbell, Charlotte, Cumberland,
12 Floyd, Franklin, Lunenburg, Mecklenburg, Prince Edward and
13 Wythe.

14 DELEGATE WRIGHT: The distance from
15 Mecklenburg and Buckingham is an awful long way. I think
16 similar counties in Southside would benefit from a program
17 like this closer to it. I just make that as a note for the future
18 but I'm not opposed to this project in general. I just want to
19 be sure that the support for this is nothing specific for
20 Lunenburg, Mecklenburg, Amelia, Cumberland. More in the
21 same area rather than when you consider the distances a long
22 way from Mecklenburg. It's a long way from Mecklenburg to
23 Buckingham and Lunenburg, too. I just want to make that
24 point. What the services would be for that part of Southside
25 and goes further west including the counties you mentioned.

1 MR. SPIERS: A question, I take it that
2 you do have members in these counties that's why these
3 counties are one of the twelve that you serve. Do you have
4 members of the Cattlemen's Association that are in those
5 areas?

6 MS. LIGON: Yes, sir.

7 UNIDENTIFIED: That was my concern
8 also. They're fairly well spread out. Maybe in the future, but
9 that was the only concern I had.

10 DELEGATE WRIGHT: I'd like for in the
11 future for something like these counties that are closer to the
12 actual places receiving service. Places like Lunenburg are
13 participating and would benefit the association close by. I was
14 just concerned about the distance.

15 MR. SPIERS: Thank you for your
16 comments. Any other comments? All right, continuing on
17 #2959. #2960 the Mobile Livestock Processing. #2961 the
18 Micro-Ethanol Project. #2962 Southwest Livestock Center.
19 Tim, you mentioned you were going to monitor the tax status.
20 What happens if the tax status changes?

21 MR. PFOHL: That's a good question.
22 Probably the first step for the Commission, the Commission
23 could place a lien on the property if it was for for-profit
24 purposes. Our grant agreements basically require that
25 grantees get Commission approval before they buy, lease, sell

1 or otherwise dispose of assets that are purchased with grant
2 funds. So if a lien was placed on property, you would know
3 then if it is sold. If it's retained by a for-profit, I think that's
4 another question and we'd have to discuss that with our
5 counsel.

6 MR. REYNOLDS: Mr. Chairman, I have
7 some questions about this project. This project is going to be
8 in direct competition with our livestock market in Abingdon
9 and one of the largest markets in the state. It was developed
10 with private funding and no grant funding. They serve a lot of
11 the livestock producers in Southwest Virginia. We think that
12 the agriculture marketers, the producers in that area because
13 of the number of cattle that are sold. Washington County has
14 probably the largest agriculture farm county in the state of
15 Virginia and here we're talking about moving this market to
16 another county in another location and I'd like some
17 discussion on it why this is being done because we feel like in
18 Abingdon we're serving Southwest Virginia and we've had no
19 grant funding.

20 MR. SPIERS: I know this has been a
21 point of discussion in the past. This is the one that started a,
22 is this a co-op?

23 MR. PFOHL: Yes. It has been designated
24 by the Internal Revenue Service a 521 Farmer's Cooperative.
25 There's a number of pieces to the IRS determination.

1 MR. SPIERS: Mr. Reynolds, I know in the
2 past this has been discussed quite a bit. As a row crop farmer
3 with no livestock, the only thing that I see is that a group of
4 farmers formed a co-op and applied for a grant to do this and I
5 take it they're eligible. It's still up to the Commission if we
6 vote to fund it and we can have some further discussion. And
7 again, I'm not a cattleman and I don't know exactly the
8 location of the market. I know many times people will say
9 competition is good for the people that are doing it but
10 continue to make a point to the other Commissioners that at
11 some point we'll vote on it one way or the other.

12 MR. MERRICKS: Mr. Chairman, I think
13 competition is a great thing but I think the playing field needs
14 to be level. With what Mr. Reynolds was saying, you have a
15 group that's been doing this very same thing and then you're
16 funding this other thing with grant money and the other one is
17 private.

18 MR. PFOHL: My understanding is that
19 there's a privately owned for-profit auction facility in Abingdon
20 and they did express concerns about this project when it was
21 first recommended by the Committee.

22 MR. REYNOLDS: Essentially they're
23 doing a good job in servicing that whole area. It's really a
24 regional market. Tennessee, Kentucky and many in
25 Southwest Virginia. With the volume we're pulling in there, it

1 makes a much stronger market because we have more buyers.
2 The producers are bringing their cattle and they feel
3 reasonably sure they've got a pretty strong market to back
4 them up.

5 DELEGATE EDMUNDS: Mr. Chairman,
6 this is a question for Tim. I know the Halifax facility also has
7 other uses that they're using their building for Ag products or
8 at least they were. Is there some proposed co-use of this
9 building as well?

10 MR. PFOHL: Yes, I think it might be
11 better to get the project leaders an opportunity to, the
12 Buckingham project talks about the sales at this facility as
13 well as 4H classes and so forth. There's two principals of the
14 Livestock.

15 MR. SETTLE: Mr. Chairman and
16 members of the Committee, my name is Richard Settle and I'm
17 representing the Southwest Livestock Co-op in establishing
18 this livestock market. Our goal is not to destroy the Abingdon
19 Livestock Market or to unfairly compete with them. But we
20 think as a cooperative the way we're going to be organized and
21 our status is going to let us provide enhancements to the sales
22 opportunities that our producers have. We're going to be a
23 hundred percent producer owned and producer, our sales fees
24 and those types of things or expenses are going to be
25 controlled by producers. We have an incentive to reduce the

1 cost of sales and processing of our animals for sale. It's also
2 going to be a much more modern facility, internet based sales
3 and telephonic sales and televised auctions that people can
4 participate in over the internet without having to come to the
5 market and older buyers can probably do a much more
6 efficient job of picking their cattle without having to travel
7 great distances to be there at the scene. The advantages for
8 the producers is going to be not only in reduced sale meat and
9 costs but in access to markets, specialty markets. Sales can
10 be scheduled and conducted at virtually any time with just a
11 very little lead time. They don't have to just be cattle sales,
12 just graded cattle sales. You can have goats, pigs, any other
13 type of livestock that would choose to elect to participate in
14 the marketing activities.

15 We have in addition petitions from 419
16 producers supporting the creation of this market. I know from
17 the volumes of paper back and forth between the staff and
18 myself and Mr. Leonard and others. We did a lot of pretty
19 sophisticated market analysis through the USDA and some of
20 the information is somewhat dated but it's still useful in trying
21 to determine whether or not we could attract additional
22 animals that are not now part of the regional mix in Southwest
23 Virginia. Our proximity to areas in Kentucky and Tennessee
24 and reducing the amount of travel or the things that cattle are
25 forced to put up with on the way to market.

1 MR. SPIERS: Mr. Settle, do you have any
2 idea how many of these producers are using the Abingdon
3 market at this time?

4 MR. SETTLE: Probably a good many of
5 them but there's also a market in Tazewell that's very much
6 less active than the Washington County market is. We would
7 like to draw not just from producers that are using Abingdon
8 but from producers traveling out of state to different localities
9 to market their animals. We feel the opportunity is going to be
10 enhanced for the whole region.

11 MR. MERRICKS: How far is Hansonville
12 from Abingdon, is it sixteen miles?

13 MR. SETTLE: It's pretty steep.

14 MR. LEONARD: Thank you, I'm David
15 Leonard and I also work with Southwest Co-op. From an
16 agriculture standpoint, of course, Rockingham County is the
17 most agricultural and Washington is pretty active but down
18 the line. Three years ago, we set up this project and we were
19 rated number two out of seven that were approved. It came
20 up and then it was tabled and asked to go back to the
21 nonprofit status. In fifteen months, a lot of paperwork and we
22 achieved that status. Then a year ago we came back and we
23 were approved, a portion of it or about a third and there were
24 other projects in the mill. We waited and they wanted to do
25 the veterinary school in Lee County and things like that and

1 we agreed to that and it was indicated we'd be approved next
2 time and that didn't happen and then it was said we needed to
3 come back to the Agribusiness Committee and that's why
4 we're here today. We set out for signatures in the three
5 county area and gained about fifty or sixty signatures of
6 support on the petition and we ended up having 419.

7 Mr. Blankenship, the county agent, and
8 he was from Tazewell County and he said we have a market
9 up here and it's not serving our needs. We visited with
10 Tazewell County and that association and also the Wise
11 County Cattlemen's Association and Russell. We have
12 support from all those groups as well as the Chamber of
13 Commerce and seven or eight other organizations. We're
14 served in this area and this location is right at the interchange
15 of the four lane highways going in all directions. We think it
16 would be beneficial. From about February through May,
17 there's a possibility of a trailer running down the road every
18 day and also again from August through November. Each of
19 those trailers is carrying about 50,000 pounds. They're
20 coming in for grass in the spring and being sold out in the fall.
21 We're also very active in the other operations there. We think
22 this is probably one of some of the projects that could go
23 directly to serving tobacco farmers and, of course, we're a big
24 tobacco growing region or we were until things happened a few
25 years ago. We think this would give all the farmers in the area

1 an opportunity to invest in the operation and they'd like to
2 have that opportunity. I'll be glad to try to answer any
3 questions.

4 MR. SPIERS: Does anyone have any
5 questions for Mr. Leonard?

6 DELEGATE WRIGHT: I have a question
7 for the staff. It says in January of 2014, having achieved an
8 IRS designation approved for \$232,000 plus. The discussion
9 we're having now, now, my question is or my point is haven't
10 we already approved this in concept?

11 MR. SETTLE: Delegate Wright, that was
12 all the money the Committee had at that time.

13 DELEGATE WRIGHT: My question
14 wasn't about the amount it was about the fact that we already
15 had discussions about it.

16 MR. LEONARD: If I might speak to the
17 competition angle, in my small town of Lebanon, Virginia,
18 there's about 3800 people and we have six banks and they're
19 all doing well. Three or four years ago there was another
20 major grocer or retailer in Southwest Virginia as twenty or so
21 stores. This Commission approved \$3 million to build an
22 office building.

23 DELEGATE EDMUNDS: Mr. Chairman,
24 not having all the benefit of the history of this, I recognize
25 when Mr. Merricks mentioned about the benefits of

1 competition, the only thing that gives me real heartburn is the
2 fact that the Abingdon one has risks. What is the risk for the
3 co-op, is there if it fails?

4 MR. SETTLE: The risk for us is our
5 \$800,000 private capital and that goes towards matching the
6 \$700,000 grant.

7 DELEGATE EDMUNDS: Is that in-kind?

8 MR. SETTLE: No. Stock subscription,
9 common stock. If we're successful, and the stock trades like
10 we think it will that will be our only, but if it doesn't work then
11 some of us will have to go to the bank.

12 MR. MERRICKS: Mr. Chairman, I don't
13 remember the discussion about the private sector versus the
14 grant funded. If I own a small business and another business
15 would have come to this Commission and want to get grant
16 money to set up a business in competition with my business,
17 that really wouldn't set well with me. What I'm trying to do is
18 get to the bottom line and is this project different, broader or
19 does it cover other things that the other company is not doing?
20 I want to make sure we're not funding the same thing that's
21 being done.

22 MR. PFOHL: I'm not particular familiar
23 with the operation in that market in Abingdon and Mr.
24 Reynolds may be somewhat more familiar.

25 MR. REYNOLDS: It really serves

1 producers in Southwest Virginia. The Abingdon market works
2 close with the Cattle Association and Smith/Washington
3 County Cattlemen's Association. They have things they do
4 that should be managed with a marketing process. They're
5 the ones that make adjustments in the market or the
6 marketing process and so it's a privately owned company.

7 MR. SPIERS: Mr. Reynolds, one of the
8 questions I'm sure that many of the Commission members are
9 trying to balance the fact that there seems to be quite a few
10 cattle producers in that area willing to put up their money to
11 open another market there. In trying to balance that and
12 you've already got a market but there are producers, I think
13 one of the big issues of this market appears to be very close to
14 the existing market. The fact that there are so many
15 producers in that area willing to put up their money to start
16 another market, so I think we have to consider that also.

17 MR. SHELL: Is there a way we could get
18 a little more information before we decide?

19 MR. SPIERS: Mr. Settle and Mr. Leonard
20 kind of gave a short history and the Commission has actually
21 looked at this project in the last cycle and it scored well, I'd
22 guess you'd say and the number of producers that it can
23 impact and things like income potential and actually they've
24 been through two cycles, I believe. Passed on one and last
25 time the Commission gave them the residual amount of funds

1 they had. I know this is almost a new Committee this time,
2 actually gave them money last time. There were some
3 conditions. The conditions they put on at that time by
4 becoming a nonprofit or cooperative, so we can do whatever
5 the Committee wants to do. If you want more information,
6 we'd have to be specific what type of information we would
7 want. We can always not fund it or table it and get certain
8 information we need. If you ask that question, we'll see if we
9 can get it.

10 MR. MERRICKS: We really already
11 opened the door. I would hope the cooperative would
12 distinguish itself as being different and I think it would be
13 wrong for us to pull the rug out from under them after they
14 jumped through the hoops that we requested before and then
15 we say sorry, we're going to close the door. That's really not
16 right. By the same token, it's not right to take public money
17 or grant money and give it to the private sector, that to me is
18 wrong or that principle is wrong. I don't think we have any
19 choice but to proceed. I'd caution them they need to
20 differentiate their or what they're doing and not be in direct
21 competition with somebody that's providing a service. This
22 other guy, whoever that is and upgrade and do his job, too.
23 There needs to be a differentiation but I think it would be hard
24 to pull the rug out from under them.

25 DELEGATE WRIGHT: I just wanted to

1 ask and I see this is contingent upon the IRS status. Suppose
2 the cooperative is not successful in selling the stock, which is
3 a possibility although I don't think it will happen. What would
4 happen then in the event that doesn't occur? Would that
5 affect Tennessee as well?

6 MR. PFOHL: If there's a material change
7 of scope in the project, in other words they come back and say
8 it's no longer a \$2 million project, it's a \$1 million project and
9 at a smaller facility and serving fewer purposes, then we have
10 the ability to bring back to the Commission before we release
11 the funds.

12 DELEGATE WRIGHT: That answers my
13 question.

14 DELEGATE EDMUNDS: I'm beating a
15 dead horse and I agree with Don we've probably come too far
16 to stop and I'm not saying we should stop but I think that
17 using grant money to do the same thing for a private business
18 and just because they can that principally doesn't set well
19 with me and I'll leave it there. What about the ability to use
20 this facility to, can they rent it to other agencies?

21 MR. PFOHL: I'm sure that's part of their
22 sustainability plan. We're not in the business of funding
23 offices for –

24 DELEGATE EDMUNDS: That's my
25 question.

1 MR. PFOHL: There's only a small portion
2 of office space, I believe, involved in that. Richard, could you
3 speak to that?

4 MR. SETTLE: Mr. Chairman, the office
5 space provided for in this building is used for the conduct of
6 that business and veterinary installation because the vets
7 need a place to have their inspections and that kind of thing.
8 It will be no more office space than you'd find in a comparable
9 institution.

10 If I might also provide a little comfort
11 maybe to those who think that the competition won't be good.
12 The Commission collectively has spent many millions of
13 dollars to put new companies in competition with existing
14 companies in the telecommunications industry and others
15 that has resulted in probably Southwest Virginia's portion of
16 the Commission or that area of responsibility being the most
17 wired of any rural region in the country and healthy, robust
18 competition price-wise and availability-wise. This helps most
19 folks. I won't say all but most if that's of any comfort to you
20 all and it's not a historical departure from this Commission to
21 create competition.

22 MR. SPIERS: Any other comments
23 concerning #2962? If not, then we'll switch over to #2963,
24 that's the Greenhouse project. There was no award
25 recommended and the staff had some concerns. What is the

1 status of that?

2 MR. PFOHL: Yes, the company is
3 working actively with potential government and other
4 sponsors. We've had conversations but we just haven't gotten
5 anybody to commit.

6 MR. SPIERS: #2964 the Meat and Goat
7 project. This could be a little bit of a niche market for higher
8 priced enhanced goat meat. Any other questions concerning
9 that? So gentlemen, you need to help me a little bit here. Any
10 other comments or I'll ask for a motion or is any more
11 discussion needed? So then at this point, Commissioners are
12 you interested in voting on this as a block or is there a reason
13 to take some out of the block or what's your pleasure? If
14 you're interested in following the staff's recommendation on
15 any or if there is a motion to change any recommendations?

16 MR. MERRICKS: Unless anybody
17 objects, I would move that we vote on these as a block and I
18 move we accept the staff recommendations of the block as
19 presented.

20 MR. SPIERS: All right, a motion has
21 been made and also seconded that we vote on the projects in a
22 block. Do I need to read those again, Tim?

23 MR. PFOHL: I can move through those
24 quickly. Basically, the five funding recommendations would
25 be the Blue Ridge Center for Chinese Medicine, Inc. #2956 for

1 \$152,660; second is the Buckingham Cattlemen's Association
2 #2957 for \$265,549. The third one is #2973 Town of
3 Farmville for Regional Processing for Aquaculture Producers
4 \$200,000. The fourth recommendation is #2959 Lenowisco
5 Planning District Commission, the Agriculture Development
6 Strategic Plan \$10,000. Lastly, #2962 Southwest Livestock
7 Cooperative Livestock Center \$467,140, with conditions as
8 stated in the staff report, unless there are other suggestions.

9 MR. SPIERS: The other projects no
10 funding recommended for those?

11 MR. PFOHL: Correct.

12 MR. SPIERS: Any further discussion or
13 comments? If not, all in favor of the motion please say aye.
14 (Ayes.) Any opposed, nay?

15 MR. REYNOLDS: No.

16 MR. SPIERS: Mr. Reynolds votes nay.
17 Now we'll go to other business.

18 MR. PFOHL: A little bit of history and
19 background. Grants are approved for a three year project
20 period from date of Commission approval. The Commission's
21 policy is that the Executive Director authorized a fourth year
22 for a project administratively. Any project that has reached
23 the fourth anniversary since date of approval has to come
24 back to the Committee that originally recommended the
25 project. So that's why you see some of these listed in other

1 business.

2 The first one is Scott Farmers
3 Cooperative Livestock Feed Facility grant #1907. The
4 \$250,000 grant was approved in January of 2010. Funds
5 were approved for this nonprofit producer cooperative to
6 procure and install a comprehensive feed commodity
7 handling, blending, storage, bagging and delivery equipment
8 system for the purpose of supplying area livestock producers.
9 A second grant was made, grant #2615 for an additional
10 \$148,836 and that was made in January 2012, still within its
11 eligible project period. In order for the Scott Farmers
12 Cooperative to continue it would need a sixth year extension.
13 The Committee a year ago approved the fifth year extension.
14 The farmers cooperative has some leadership here today and
15 can talk about why the project has not moved forward by
16 certain dates. They've experienced a turnover in staffing.
17 There was an issue with the Commission's advance release of
18 funds policy when this grant was approved in 2010. Advance
19 funds of \$70,765 was released to the cooperative. Those have
20 not yet been fully documented but the current leadership in
21 the cooperative is working with our staff to get that advance
22 documentation in house and established. This project relies
23 on additional financing. A year ago we heard the farmers
24 cooperative was working with USDA and expected to have or
25 working with a local bank and was expected to have some loan

1 funding for the balance of construction costs. They're
2 continuing to work with the lenders and they're hopeful that
3 the grant 2015 will have adequate funds to complete the
4 construction.

5 I think the question here for the
6 Committee to decide, are you willing to grant a sixth year
7 extension so they can work through loan financing for this
8 project. If you are so inclined to grant this extension, staff
9 recommends a one-year extension to reimburse no more than
10 ninety percent of construction costs contingent on
11 construction financing being secured and the facility under
12 construction no later than September 1, 2015. We offer that
13 in hopes that a year from now, we'll know if this building is
14 going to be built. If not, the funds will have expired.

15 MR. SPIERS: Would the Committee like
16 to hear from Scott Farmers Cooperative concerning this or are
17 you interested in extending this and approving the staff
18 recommendation?

19 DELEGATE WRIGHT: I have a concern
20 about the advance of this \$70,765 paid out already with no
21 accountability.

22 MR. PFOHL: I wouldn't say no
23 accountability. The cooperative has undergone a change in
24 leadership and its board membership and its day to day
25 management. Current leadership is working with our staff to

1 document those funds. They've been partially documented
2 but not fully.

3 DELEGATE WRIGHT: Let me rephrase
4 that. They admit they're unable to account for the use of the
5 full amount? My concern is just the way this took place back
6 in 2010 and we're still out of the \$70,000. I'd like to hear the
7 reason why we should give them another extension. How do
8 you propose to get the money back?

9 MR. PFOHL: The cooperative is
10 proposing that a portion of the loan financing that they're
11 working to obtain would be a hold on the advance of funds.
12 They have provided some invoices that show partial eligible
13 costs. The majority of the \$70,000 still needs to be
14 documented and that's why they're talking with lenders to
15 make us whole.

16 MR. SPIERS: One of the issues is eligible
17 costs?

18 MR. PFOHL: Yes.

19 MR. SPIERS: So in other words, you
20 have some invoices where money was spent but some you do
21 not, technically eligible to be cost shared?

22 MR. PFOHL: We have invoices for a small
23 percentage of the \$70,000 that would be eligible expenses.
24 Current leadership believes that money was taken by the
25 former leadership and plugged into daily operations for the

1 cooperative.

2 MR. MERRICKS: They made an
3 application and they're just waiting to hear?

4 MR. PFOHL: We need to ask Mr. Durkin
5 from the Scott Farmers Cooperative to address that and this is
6 what we heard a year ago.

7 MR. SPIERS: Would you come up and
8 state your name, please.

9 MR. DURKIN: Mr. Chairman, ladies and
10 gentlemen of the Committee and members of the staff, my
11 name is Paul Durkin from Scott County. I'm currently
12 Chairman of the Board and Director of the Scott Farmers Co-
13 op and you raised a very good question. The Board of
14 Directors that we have today and the current management of
15 the store are largely new and different than the board that was
16 there in 2010. In 2010, the store had just expanded from one
17 location and that location was small and inadequate for their
18 needs. They did that at a time just after tobacco acreage had
19 dropped, livestock prices had dropped and they built a new
20 facility on the edge of town. This facility is for the farmers and
21 tobacco growers and other people in that particular livestock
22 and it's well-located. Unfortunately, with a new mortgage on a
23 new building, they were losing money at that time and I don't
24 know if they knew that.

25 When I came onto the Board and we

1 brought in additional new board members and made
2 significant progress, the co-op is a not for profit cooperative
3 formed back in the 1940s and it served the people of Scott
4 County well and adjoining counties and over into Tennessee.
5 The new board members we have that have come on board are
6 people who are accustomed to handling large budgets and had
7 experience with multimillion dollar budgets. All of these
8 people are serving voluntarily. We have eight board members
9 in the county for one year appointed by the Dean of
10 Agriculture at Virginia Tech. All of these folks have
11 volunteered their time without pay to serve in the sense of
12 community spirit by trying to get this cooperative back to
13 where it needs to be so it can serve the livestock needs of the
14 county as well as tobacco folks.

15 As an example, when we came here and
16 we do appreciate you holding this here in Roanoke, it makes it
17 easier for us to travel than go to Richmond. When we travel
18 here, we travel at our expense. If we go visit other co-ops to
19 see how they're doing and what we might do to get benefit
20 from their experience in visiting with them we do that at our
21 expense. The current manager of the store and the manager
22 at the time you're referring to died and we've had three other
23 managers in a relatively short time. The current manager we
24 have has retired from a very successful career in banking.
25 One of our farmers came to us and said I think I know of

1 somebody you might want to talk to and we went to him and
2 visited and interviewed him and asked him if he would take
3 the job. And he did at a very modest salary. The reason I tell
4 you this is that that has brought unique skills that were
5 desperately needed at the time that would benefit this co-op
6 serving the needs of the community. When I look at this list of
7 folks that you have been addressing and this has also been
8 true in Scott County and we're making that transition to the
9 livestock based economy in particular. To do all this, we need
10 the bulk feed facility to meet their needs. We have bulk feed
11 trucks that are coming down to Scott County from as far away
12 as Roanoke, down in Tennessee making a round trip, which is
13 350 miles, bulk feed to the farmer that would be prescription
14 blended according to their needs whether they've got a
15 cow/calf operation or feeder operation or what the nutritional
16 needs may be. We'll be able to provide that and meet our
17 charter and buying at the lowest cost quality food we can buy
18 and selling it at the lowest price we can to those folks that
19 need it in the county. That is our charter, the co-op charter.

20 We hope you will see fit to extend your
21 decision and reaffirm the same decision you made before and
22 allow us a one-year extension and keep the funding in place
23 so we can meet our charter purposes.

24 MR. SPIERS: Any more questions?

25 MR. MERRICKS: I'll be happy to move

1 that we extend this with the understanding that this is the
2 last time and ninety percent and hopefully we'll recoup that
3 money. So I move we extend it one year.

4 DELEGATE WRIGHT: I would agree with
5 Mr. Merricks and the representation today. I hope we get the
6 money back and following the contingency that is
7 recommended and we receive the money back that the staff
8 said is owed to the Commission from the original
9 disbursement.

10 MR. PFOHL: We will fully document that.

11 MR. DURKIN: If I may respond to that.
12 Our first intention is to satisfy all obligations to the suppliers
13 who are providing the product now and to first make right all
14 our obligations to the Tobacco Commission. Once that's done,
15 then I think we will see our way forward. So that's our first
16 intention under the leadership we have now.

17 MR. SPIERS: Do we have a second for
18 the motion?

19 UNIDENTIFIED: I'll second it.

20 MR. SPIERS: We have a motion and a
21 second, any further discussion? We'll take Delegate Wright's
22 suggestion as part of the motion and that takes the
23 contingency into account.

24 DELEGATE WRIGHT: Yes.

25 MR. SPIERS: We have the motion for the

1 extension with the contingencies that have been mentioned.
2 All in favor of the motion say aye. (Ayes.) Any opposed, nay?
3 (No response.) Thank you.

4 MR. DURKIN: I want to thank all of you
5 on the Committee. We plan to be successful and you're going
6 to help us do that.

7 MR. SPIERS: All right, next?

8 MR. PFOHL: In 2011, the Agribusiness
9 Committee recommended the Commission approve an
10 \$85,000 grant to Virginia FAIRS, which is the nonprofit
11 foundation affiliated with the Virginia Farm Bureau to
12 continue support of the Virginia Aquafarmers Network, a for-
13 profit LLC in the Town of Farmville. Funds are being used to
14 acquire equipment for the Aquafarmers Network and producer
15 cost share incentives with ownership titled for
16 transportation/handling equipment to be retained by Virginia
17 FAIRS, the eligible nonprofit. The project is asking for an
18 extension through the summer of 2015 production season and
19 staff recommends an extension with final project expenses to
20 occur no later than September 1, 2015.

21 MR. SPIERS: Tim, what is the
22 clarification to buy some equipment?

23 MR. PFOHL: It was originally new
24 equipment for producer cost sharing centers and they have to
25 recruit more aquafarmers.

1 MR. SPIERS: All right. Any other
2 questions concerning this?

3 DELEGATE WRIGHT: I move we approve
4 the staff recommendation.

5 MR. SPIERS: A motion has been made,
6 Delegate Merricks seconded it. Any other discussion on this
7 extension? All right. All those in favor say aye. (Ayes.)
8 Opposed, nay? (No response.)

9 All right, the next one, Tim.

10 MR. PFOHL: Virginia State University.
11 In 2011, the Commission awarded and they are seeking a fifth
12 year extension to this grant to Virginia State University of
13 \$300,000 for the Sustainable and Profitable Development of
14 the Berry Industry in Southside Virginia. The grant has been
15 used to establish ten demonstration sites for planting
16 blueberries, raspberries, strawberries and blackberries. The
17 fruit has been comarketed as the Southside Berry brand. The
18 balance of \$98,000 and change remains in the grant, which
19 was active during the 2014 growing season. Staff
20 recommends extension through the 2015 growing season with
21 final project expenses to occur no later than September 1,
22 2015. That timing is so that when we get to this table next
23 year this grant will be wrapped up.

24 DELEGATE WRIGHT: I see there's a
25 balance of \$98,000, what progress has been made?

1 MR. PFOHL: I'll ask Sarah to give us the
2 details.

3 MS. CAPPs: Virginia State has provided
4 a review of the success of the project so far. As Tim
5 mentioned, they have been engaging producers with
6 raspberry, blueberries, strawberries and that's been very
7 successful. All of the funds have been used on the direct cost
8 for establishing the new berry crops. This has been used for
9 establishing new crops. I have a letter that identifies all the
10 farms and incomes from them. With the balance they want to
11 expand to even more producers in the area.

12 MR. SPIERS: Delegate Wright, I believe
13 that they had a field day for one of those in McKenney this
14 summer with some strawberries.

15 MS. CAPPs: They did work with the Cole
16 Berry Farm in Halifax County to establish the berry
17 cooperative Cole Berry Farm. They established this very
18 cooperative as I said and established markets and the
19 commissary in the Virginia Beach area and a number of
20 different outlets.

21 DELEGATE WRIGHT: Mr. Chairman, at
22 the appropriate time, I'd make a motion.

23 MR. SPIERS: Any other comments?

24 DELEGATE WRIGHT: Then I make a
25 motion that we approve it.

1 MR. SPIERS: We have a motion and a
2 second that we approve this. Any further discussion? If not,
3 all in favor of the motion say aye. (Ayes.) Opposed, nay? (No
4 response.)

5 Now, we have to go back to, we're going
6 to talk about recapturing some of the money you're asking for,
7 what's the procedure the Committee follows?

8 MR. PFOHL: Going back to page four
9 and five of your staff report under the Town of Farmville
10 project, the Commission last year made an Agribusiness
11 grant of \$438,500 to Charlotte County for this same project.
12 Charlotte County came back to the Commission and said
13 we're not going to be able to put up this building. They want
14 to use it for a cabinet manufacturer project. Essentially,
15 Charlotte turned their attention to another project. The VAN
16 aquaculture project is no longer active in Charlotte and as you
17 heard they're working with Farmville now. Basically, we've got
18 \$438,500 tied up for a grant in Charlotte County that is no
19 longer an active project. Let me also add that I made efforts to
20 contact Charlotte County and ask that they provide a letter to
21 us saying they no longer needed the grant funds. I have not
22 yet heard back from them. So staff is going to recommend
23 that grant #2799 to Charlotte County be rescinded as it is no
24 longer an active project in Charlotte County.

25 MR. SPIERS: That is an action that this

1 Committee would take?

2 MR. PFOHL: That would be a
3 recommendation to the full Commission.

4 MR. SPIERS: We would recommend to
5 the full Commission to rescind that. Do we need the letter or
6 can we take this action on our own.

7 MR. PFOHL: I think with the Committee
8 recommendation to rescind we'll probably get Charlotte's
9 attention and we might get the letter before the January
10 meeting and we need to put this in place.

11 MR. MERRICKS: The grant was
12 specifically for what they're not doing?

13 MR. PFOHL: Exactly.

14 MR. MERRICKS: If we extended the
15 funds, have we?

16 MR. PFOHL: No funds have been
17 released?

18 MR. MERRICKS: So we're just cleaning
19 up paperwork?

20 MR. PFOHL: Yes.

21 MR. MERRICKS: Then I so move.

22 MR. SPIERS: We have a motion made by
23 Mr. Merricks and seconded by Mr. Harris that we would
24 rescind #2799?

25 MR. PFOHL: Yes.

1 MR. SPIERS: Grant #2799 it will no
2 longer be carried out. Any other clarification needed? If not,
3 all those in favor say aye. (Ayes.) Those opposed, nay? (No
4 response.)

5 MR. PFOHL: Mr. Chairman and
6 members of the Committee, we don't like to put things in front
7 of you that you haven't seen in writing prior to the meeting. A
8 year ago a grant was approved for a Phase II continuation of
9 the Beef Builder Initiative in Southwest Virginia. I don't have
10 the grant number in front of me but the project leader is here
11 in the room and has that number. When we were in Roanoke
12 watching the snow fall last year, the discussion about this
13 grant is that it would be a continuation or second shot of
14 funding for a project that had been previously approved. It
15 was discussed that the Phase II funding should serve initially
16 those that were not able to be served in the first round. In the
17 process of providing reimbursement for the second grant we
18 found out that some of the folks that had been approved
19 before the date of approval of the Phase II grant had actually
20 incurred expenses, reimbursable expenses prior to the date of
21 approval of the second grant, which would typically be
22 ineligible for reimbursement under normal circumstances that
23 were being submitted to us. I think this is a situation where
24 there is enough specification that it was clearly known that
25 this was a Phase II continuation grant and it was clearly

1 stated in the minutes that this was to serve the folks in the
2 first round that did not get served and otherwise the expenses
3 that were incurred by the producers had met all the other
4 eligibility requirements and guidelines in this grant. I'm just
5 requesting affirmation that those expenses that producers
6 incurred prior to the date of approval for the Phase II grant be
7 authorized for reimbursement. I know that's a mouthful to
8 throw at you. There's only four producers we're talking about
9 here.

10 MR. SPIERS: You read through the
11 minutes of the last meeting and Delegate Wright was a
12 proponent of spreading the money around as evenly as could
13 be possibly done and on the second round the intention would
14 be that applicants that had not been served before would be
15 moved to, if you will, the front to be considered before
16 applicants that had already been served. Evidently, there's a
17 little bit of a timing issue here.

18 MR. PFOHL: We're talking about two,
19 three or four months before the date of Commission approval
20 of the Phase II grant. Some of these people had already been
21 approved for the program, started incurring expenses. The
22 applicant, the Feeder Cattle Association, which is the project
23 leadership and Phil Blevins is here as the project leader and
24 seeking reimbursements for the second phase of the grant.
25 That's four people who incurred expenses a couple of months

1 before the Commission approved that second grant. We're
2 doing it as one overall project.

3 MR. SPIERS: All of the applicants that
4 applied for the first time –

5 MR. PFOHL: They have otherwise
6 incurred their expenses since the January 2014 approval and
7 they're eligible to be reimbursed.

8 MR. SPIERS: Any other questions?
9 Would you need clarification?

10 DELEGATE WRIGHT: Just out of
11 curiosity, how much money are you talking about?

12 MR. PFOHL: Twelve or fifteen thousand.

13 DELEGATE WRIGHT: Out of a matter of
14 fairness, I think this is a fair way to do it considering those
15 that received it before. In a case like this where there was a
16 time lapse there and I think it would only be fair, I vote for the
17 staff recommendation.

18 MR. SPIERS: All right, we have a motion
19 and a second to accept the staff's recommendation to
20 reimburse these for the reimbursable expenses. Has this been
21 serving a number of producers?

22 MR. BLEVINS: I'm Phil Blevins, just to
23 give you an idea, we're only talking about six thousand. Part
24 of their receipts actually begin the second phase buy and sell
25 bulls but you can't give the entire credit to this grant and folks

1 were allowed to participate in the feeder cattle market. This
2 past year, we marketed about 8300 head of cattle in the
3 program, feeder cattle. Just those cattle and did almost a
4 million dollars producers compared to the regular sales in
5 Virginia. If there has ever been a successful project, this has
6 been one. I certainly appreciate your support.

7 MR. PFOHL: Mr. Chairman and
8 members of the Committee, this is regarding grant #2795, the
9 Abingdon Feeder Cattle Association. It would be to authorize
10 otherwise eligible reimbursement that occurred prior to the
11 date of Commission approval.

12 MR. SPIERS: That's the motion we voted
13 on and we have a motion and a second. All in favor of that
14 motion, say aye. (Ayes.) Opposed, nay? (No response.)

15 MR. PFOHL: That's all we have.

16 MR. SPIERS: Any other Commissioners
17 have any comments that they'd like to make at this time?

18 DELEGATE EDMUNDS: Mr. Chairman,
19 going back to grant number I think it's #2261 and it said that
20 the Cole Berry Farm producing twelve acres of berries. What
21 was their grant money for?

22 MS. CAPPs: There were two things.
23 They've got a cold storage area and in addition to the cold
24 storage area, the packaging of the new berries and also there
25 were funds for truck for delivery and those funds directly

1 benefitted this project. And it was required that there be a
2 performance agreement with the Cole Berry Farm to increase
3 the employment of this active operation. They have to have a
4 market and they approached Virginia State to work with the
5 Cole Berry Farm because they were already established in the
6 market. The truck was used for delivery and that was
7 necessary for the delivery of their products and the
8 cooperative growers and then the products are packaged. I
9 did a site visit and these folks have been very supportive.

10 DELEGATE EDMUNDS: One last
11 question. How did the other farms get chosen, the ones that
12 got grants to plant the berries?

13 MS. CAPPs: Virginia State University has
14 a tradition of working with small farmers and they've also
15 worked with berry producers for some time. They hosted an
16 annual conference, a berry conference. Virginia State chose
17 those particular people to participate.

18 DELEGATE EDMUNDS: So this money is
19 gone now?

20 MS. CAPPs: No, this is a balance that's
21 available to work with new growers.

22 DELEGATE EDMUNDS: I have no
23 quarrel with that. Who would advertise that for growers that
24 want to go live, would that be Virginia State?

25 MR. SPIERS: As a farmer in that area,

1 they do advertise and they have different conferences on
2 different dates. They'll have education seminars on berries
3 and they will advertise that typically through the extension
4 service and then they'll have meetings. Normally, what occurs
5 is that people that attend that meeting get involved in these
6 activities and those people that express interest get involved in
7 these activities and it's open to anyone.

8 MS. CAPPs: They do advertise these
9 meetings from time to time and people that express an interest
10 can go from there.

11 MR. PFOHL: That's usually mentioned at
12 the Education meeting.

13 MR. SPIERS: Any other comments?

14 MR. PFOHL: I failed to introduce Sarah
15 and Sara and especially since we have new members. This is
16 Sara Williams, our Southwest Regional Grants Administrator
17 and Sarah Capps is on the right is our Southside or Southern
18 Virginia Regional Administrator for those of you new to the
19 Committee. They're talking about doing a grant application
20 workshop and focus on agribusiness projects in the future.
21 And we'll work on setting that up.

22 MR. SPIERS: Any other comments from
23 the Committee? If not, any other comments from the public?

24 MR. BAILEY: Mr. Chairman, I'm Bob
25 Bailey, the Executive Director of the Region 2000 Research

1 Institute. I'd like to briefly address #2961 the Bio-Ethanol
2 Micro Plant. As Tim mentioned, we've asked for a small grant
3 and our proposal is based on an ideal scenario, designing and
4 building a set of these micro plants at demonstration sites
5 around the region. The ideal scenario would allow us to take
6 advantage of the spring planting season and the fall
7 harvesting season to gather this data and demonstrate. We
8 are more than open to a small grant of about \$75,000 to
9 where we can do everything but the equipment and essentially
10 taking the equipment out of it and that would allow us to do
11 some detailed engineering work and detailed biologic
12 evaluations, detailed agricultural evaluation and some
13 additional planning to address the comments and concerns
14 that were raised in the staff's recommendation.

15 We would respectfully ask that the
16 Committee take that request into consideration and provide
17 some guidance back on how we can best proceed in pursuing
18 this. Thank you.

19 MR. SPIERS: Anyone have any
20 comments or questions? Any other public comments?

21 MR. SETTLE: I want to thank you, Mr.
22 Chairman and members of the Committee for hearing us out
23 today.

24 MR. SPIERS: With the comment from the
25 gentleman on the Region 2000 Research Institute or project

1 and I'll put this up for the Committee's consideration, would
2 the Committee be interested in funding fifty percent of a
3 planning grant in the sum of \$75,000?

4 MS. ADAMS: I think they should go
5 through the process of applying.

6 MR. SPIERS: In the process of applying.
7 Would the Committee be interested in funding half of that
8 contingent on receiving some other funding for planning grant
9 on that project? I guess that would be 3750.

10 MR. MERRICKS: Mr. Chairman, could
11 the staff investigate that and maybe we could meet before the
12 full Commission?

13 MR. PFOHL: We have a detailed list of
14 tasks that Bob has suggested that could be done for \$75,000
15 and it would address many of the primary concerns of the
16 staff had in terms of some engineering and developing some
17 engineering and doing some crop research and feasibility and
18 business planning as opposed to setting up another meeting.
19 I think we can if we make a recommendation for funding today
20 contingent upon a dollar for dollar match by some date
21 certain, we could either exclude that or include that in the
22 Committee recommendation to the full Commission. Or just
23 approve a grant and not release funds until we have
24 assurances that the required dollar for dollar match is
25 committed. If the consensus is to deal with this and say let's

1 try to knock it out today as opposed to another meeting.

2 MR. BAILEY: Could I entertain any
3 specific questions that any members have about the project?

4 MR. SPIERS: Tim, you are saying that
5 the proposal that was part of the program did it have a
6 planning segment in it?

7 MR. PFOHL: The staff routinely has a lot
8 of dialog back and forth with the applicants during our review
9 process. Bob in the past few days has offered up a relatively
10 detailed list of tasks that could be accomplished to help move
11 this project forward through a research project design phase.
12 He estimated that would cost \$75,000 ballpark. I think those
13 are reasonable and sensible tasks that would help this project
14 get to the point of having a better understanding whether it's
15 sustainable to pursue with a more significant capital
16 investment. If you're so inclined to make a challenge grant
17 offer today, if not you can suggest they shop this around and
18 come back at a later date.

19 UNIDENTIFIED: You're saying staff
20 could put based upon what has already been presented, staff
21 could glean from that and put together something –

22 MR. PFOHL: Yes, in looking at what Bob
23 has proposed, it would produce some engineering feasibility
24 results that probably should be owned by the Center for
25 Advanced Engineering and Research rather than by a for-

1 profit. And that could be presented to the full Commission
2 contingent upon the results and data owned by Capital CAER,
3 which is a research center and matched dollar for dollar with
4 other sources.

5 MR. SPIERS: Our challenge would be
6 37,5. The research would be owned by the nonprofit?

7 MR. PFOHL: Yes, fifty percent not to
8 exceed 37,5.

9 MR. REYNOLDS: Mr. Chairman, I move
10 we change that around. I'll second it.

11 MR. SPIERS: We have a motion and a
12 second and we will if you want to call it a challenge grant,
13 match up to \$37,500, a planning grant for Region 2000
14 Research Institute concerning this Bio-Ethanol Micro Plant.
15 Is that basically the correct motion, Tim? Any other
16 contingencies that need to be in it?

17 MR. PFOHL: I believe that covers it. Do
18 you want to set a date certain by which they have to have
19 matching funds committed or give them a year?

20 MR. SPIERS: I would think more than
21 likely you'd need to go through a planting season and that
22 type of thing, would you not?

23 MR. BAILEY: Not necessarily with the
24 planning grant.

25 MR. PFOHL: How about September 1,

1 2015?

2 MR. SPIERS: September 1, 2015. We've
3 got a motion and a second. All in favor say aye. (Ayes.) Any
4 opposed, nay? (No response.) Anyone else? If not, then I
5 thank you all for coming and for your participation. I'll
6 declare the meeting adjourned.

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8 PROCEEDINGS CONCLUDED.

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1 CERTIFICATE OF THE COURT REPORTER

2

3 I, Medford W. Howard, Registered Professional

4 Reporter and Notary Public for the State of Virginia at large,

5 do hereby certify that I was the court reporter who took down

6 and transcribed the proceedings of the **Virginia Tobacco**

7 **Indemnification and Community Revitalization**

8 **Commission Agribusiness Committee meeting when held**

9 **on Wednesday, December 17, 2014 at 1:00 p.m. at the**

10 **Hotel Roanoke and Conference Center, Roanoke, Virginia.**

11 I further certify this is a true and accurate

12 transcript, to the best of my ability to hear and understand

13 the proceedings.

14 Given under my hand this 28th day of

15 December, 2014.

16

17 _____

18 Medford W. Howard

19 Registered Professional Reporter

20 Notary Public for the State of Virginia at Large

21

22 My Commission Expires: October 31, 2018.

23 Notary Registration Number: 224566